

**THE STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**

**DE 05-064**

**ORDER OF NOTICE**

On April 1, 2005, Unitil Energy Systems, Inc. (Unitil) filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Approval of Default Service Supply Proposal for G1 and non-G1 Customers<sup>1</sup> and Approval of Solicitation Process. In support of its Petition, Unitil submitted the supporting testimony of Robert Furino and Karen Asbury.

Unitil is currently authorized to provide Transition Service and Default Service to G1 and non-G1 customers through April 30, 2006. After April 30, 2006, Transition Service is scheduled to expire for all customers in the state, pursuant to the requirements of RSA 374-F:3, V(b). Unitil submitted this proposal to provide Default Service Supply to G1 and non-G1 customers beginning May 1, 2006. As of that date, Unitil intends to reassign all customers receiving Transition Service to Default Service.

In order to supply its G1 customers, Unitil proposes to solicit power on a quarterly basis by issuing Requests for Proposals (RFPs). The resulting power supply contracts will have three-month terms and prices that vary monthly. Currently, Unitil procures Transition Service and Default Service power supply for the G1 class through contracts with six-month terms and fixed prices. In addition, Unitil proposes, for retail pricing purposes only, to continue its practice of subdividing the G1 class into Large G1 and Small G1 sub-classes. Under Unitil's

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<sup>1</sup> The G1 class includes all large commercial and industrial customers. All other customers are included in the non-G1 classes.

proposal, retail prices to Large G1 customers will vary monthly reflecting the fixed monthly prices in the Default Service power supply contracts. Retail prices to Small G1 customers will be fixed for the three-month term of the power supply contracts at the weighted average of the monthly prices, unless those customers elect to receive the monthly prices charged to Large G1 customers.

For non-G1 customers, Unitil proposes to use a portfolio approach. Unitil will solicit contracts in four blocks, each representing 25 percent of requirements. Two of the four blocks will have three-year terms, and the price for each block will be fixed for the full three-year term. The remaining two blocks will have one-year terms, and the price for each block will be fixed for the full one-year term. Unitil states that the contract block start dates will be staggered such that a new one-year block will be purchased every six months, and a new three-year block will be purchased every eighteen months. Unitil asserts that Default Service prices will be fixed at the simple average of the four blocks, and will be reset every six months as the composition of the contracts for the blocks changes. Non-G1 customers will also be given the option of purchasing Default Service priced on a monthly rather than a six-monthly basis.

Unitil proposes in its G1 and non-G1 tariffs for Default Service provisions designed to protect against “gaming.” These provisions would permit Unitil, in cases where a customer taking Default Service at a fixed price elects to switch to competitive service prior to the end of the fixed price period, to recalculate the Default Service bill based on the monthly prices for that period. Similarly, customers receiving competitive service that elect to return to Default Service prior to the end of a fixed price period will be charged the monthly prices until the next fixed price is implemented.

Among other things, Unitil requests that the Commission approve, no later than July 29, 2005, the following:

1. The proposed plan for the competitive procurement of Default Service power supplies for G1 customers that feature fixed monthly prices;
2. The continued division of the G1 class into two groups, consisting of Large G1 customers who will receive fixed monthly prices and Small G1 customers who will receive prices that vary quarterly;
3. The proposal to re-price Default Service provided to Small G1 customers and non-G1 customers who switch to competitive service prior to the end of a fixed price period;
4. The proposed plan for the competitive procurement of Default Service power supplies for non-G1 customers that features a portfolio of contracts with different terms and different prices;
5. The provision of Default Service to non-G1 customers based on prices that vary on a six-month basis as the composition of the contracts in the portfolio changes;
6. The proposal to re-price Default Service provided to non-G1 customers who switch to competitive retail service prior to the end of a fixed price period;
7. The proposed solicitation process to acquire Default Service power supplies for both G1 and non-G1 customers including the schedule, the methodology for selecting winning bidders, and the process for seeking approval of the resulting rates;

8. Until's proposed rate treatment of LICAP costs pending the issuance of final rules by ISO-NE for the LICAP market.

In addition to these requests, Until's petition raises many other issues related to the future of retail competition in the state. These include, but are not limited to the following: whether the administrative costs of acquiring Default Service power supplies<sup>2</sup> should be reflected in the price paid by Default Service customers; whether third-party transmission charges, ISO-NE charges, and other transmission-based assessments -currently recovered through the External Delivery Charge - should be reflected in the Default Service price; whether a sunset date for Default Service to G1 customers should be established;<sup>3</sup> whether the proposal to acquire a portfolio of supplies for non-G1 Default Service customers that includes contracts with terms of one and three years is consistent with the 2003 restructuring settlement agreement that required Until Power to divest its long term power supply contracts; and whether the proposed new rules to prevent "gaming" constitute exit fees that deprive customers of the freedom to choose. In addition, the Commission will examine whether Until's proposal sufficiently encourages customers, particularly the largest customers, to seek competitive power supplies.

**Based upon the foregoing, it is hereby**

**ORDERED**, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on April 26, 2005 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin Rule Puc 203.05(c) shall be considered; and it is

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<sup>2</sup> For example, the regulatory, legal, and consulting services costs incurred in the acquisition of Default Service power supplies.

<sup>3</sup> One option would be to charge G1 customers not receiving competitive power supplies an appropriate hourly price that covers at a minimum the wholesale spot market price of energy.

**FURTHER ORDERED**, that, immediately following the Prehearing Conference, Unitil, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow Unitil to provide any amendments or updates to its filing; and it is

**FURTHER ORDERED**, that subsequent to the Technical Session the parties and Staff shall file a proposed procedural schedule; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.01, Unitil shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than April 22, 2005, in a newspaper with statewide circulation or of general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before April 26, 2005; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rule 201.05, the Commission waives, in part, the fourteen day notification requirement of N.H. Admin. Rules Puc 203.01(a); and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Unitil and the Office of the Consumer Advocate on or before April 22, 2005, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin Rule Puc 203.02 and RSA 541-A:32,I(b); and it is

**FURTHER ORDERED**, that any party objecting to a Petition to Intervene make said Objection on or before April 26, 2005.

By order of the Public Utilities Commission of New Hampshire this nineteenth  
day of April, 2005.

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Debra A. Howland  
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.